

Message Text

CONFIDENTIAL

PAGE 01 STATE 247070

12

ORIGIN EB-03

INFO OCT-01 ISO-00 /004 R

DRAFTED BY EB/IFD/ODF:CKSTOCKER:CU

APPROVED BY EB/IFD/ODF:BGCROWE

----- 047227

R 082224Z NOV 74

FM SECSTATE WASHDC

TO AMEMBASSY BONN

C O N F I D E N T I A L STATE 247070

FOLLOWING SENT ACTION SECSTATE JAKARTA HONG KONG FROM MANILA
NOV 7

QUOTE C O N F I D E N T I A L MANILA 13209

USADB

FOR NAC AGENCIES

E.O. 11652: ADS DELCASS 12/31/75

TAGS: EAID, EFIN, ID

SUBJECT: BANDUNG WATER SUPPLY PROJECT

REF: A) TRSY 301555Z; (B) STATE 244709; (C) JAKARTA
13376; (D) MANILA 12763

1. AT NOV 7 MEETING, BOARD APPROVED SUBJECT PROJECT
WITH U.S. CASTING ONLY NEGATIVE VOTE. PRESS RELEASE
BEING POUCHED.

2. AS PER REFS A AND B, U.S. DIRECTOR REQUESTED THAT
U.S. BE RECORDED AS OPPOSING PROJECT LOAN BECAUSE LOAN
FINANCED FROM BANK CONCESSIONARY LENDING RESOURCES RATHER
FROM ORDINARY CAPITAL RESOURCES. IN ELABORATING ON U.S.
POSITION, U.S. DIRECTOR EXPLAINED THAT U.S. FELT INDO-
NESIA'S BALANCE OF PAYMENTS SITUATION HAD IMPROVED
SUFFICIENTLY OVER PAST SEVERAL MONTHS SO THAT IT COULD
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 247070

NOW AFFORD BANK FUNDING AT ORDINARY CAPITAL RATES. IN

ADDITION, U.S. DIRECTOR POINTED TO WORLD BANK TERMINATION OF IDA LENDING TO INDONESIA AS OF JUNE 30, 1974. FINALLY, U.S. DIRECTOR EXPLAINED THAT EXECUTIVE BRANCH IN PROCESS OF SENSITIVE CONSULTATIONS WITH CONGRESS REGARDING SECOND \$50 MILLION U.S. CONTRIBUTION TO ASIAN DEVELOPMENT FUND AS WELL AS U.S. SUBSCRIPTION TO ORDINARY CAPITAL INCREASE AND NOTED STRONG CONGRESSIONAL OPPOSITION TO CONTINUATION CONCESSIONARY LENDING FROM EITHER BILATEAL OR MULTILATERAL SOURCES TO COUNTRIES WHOSE BALANCE OF PAYMENTS POSITION HAD IMPROVED DRAMATICALLY AS RESULT OF OIL PRICE INCREASE.

3. IN RESPONSE TO U.S. STATEMENT, PRESIDENT INOUE POINTED OUT THAT ADB PHASING OUT CONCESSIONARY LENDING TO INDONESIA BY END OF YEAR AND THAT BANDUNG WATER SUPPLY (\$11.5 MILLION) AND EAST JAVA AGRICULTURAL CREDIT (\$2.7 MILLION) LAST SUCH INDONESIAN PROJECTS FINANCED ON CONCESSIONARY TERMS. FURTHER, PRESIDENT INOUE RELATED FACT THAT WORLD BANK LENDING TO INDONESIA IN FISCAL YEAR 1974 AMOUNTED TO \$132 MILLION, OF WHICH \$84 MILLION (OVER 60 PERCENT OF TOTAL FY 74 TO INDONESIA) REPRESENTED IDA CREDITS. IN ADDITION, PRESIDENT INOUE NOTED THAT FOR CALENDAR YEAR 1974, WORLD BANK LENDING TO INDONESIA EXPECTED TO REACH \$145 MILLION OF WHICH \$57.5 MILLION (OR 40 PERCENT) FINANCED FROM IDA IN FIRST HALF YEAR. HE CONTRASTED LATTER FIGURE WITH PROJECTED ADB LENDING OF \$78.1 MILLION TO INDONESIA IN 1974 OF WHICH \$14.2 MILLION (OR 18 PERCENT OF TOTAL) FROM CONCESSIONARY WINDOW.

4. NUMEROUS OTHER DIRECTORS -- NOTABLY DUTCH, AUSTRALIAN, ITALIAN AND WEST GERMANY -- SUPPORTED PROJECT INCLUDING TERMS ON WHICH IT FINANCED WHILE EXPRESSING AGREEMENT WITH INOUE'S STATEMENT THAT ADB SHOULD TERMINATE CONCESSIONARY LENDING TO INDONESIA AT END 1974.

5. INDONESIAN DIRECTOR, AFTER BOARD APPROVAL OF PROJECT, EXPRESSED APPRECIATION TO MANAGEMENT AND BOARD WHILE INDICATING HIS UNDERSTANDING OF REASONS FOR U.S. VOTE ON PROJECT. FURTHER, INDONESIAN DIRECTOR RECONFIRMED INOUE'S STATEMENT THAT, UNLESS CIRCUMSTANCES DRASTICALLY ALTER, CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 247070

INDONESIA WOULD NOT AFTER 1974 REQUEST PROJECT FINANCING ON OTHER THAN ORDINARY CAPITAL TERMS. FYI: U.S. DIRECTOR REITERATED REASONS FOR U.S. POSITION TO INDONESIAN DIRECTOR PRIOR TO BOARD MEETING, PARTICULARLY EMPHASIZING CONGRESSIONAL SENSITIVITIES AND DELICATE NATURE OF FUNDING REQUESTS CURRENTLY BEFORE CONGRESS. U.S. POSITION INITIALLY EXPLAINED TO INDONESIAN DIRECTOR UPON RECEIPT OF REF A OCT 31 WHO, APPARENTLY, DID NOT TRANSMIT INFO

TO JAKARTA AT THAT TIME. AS GRATUITIOUSLY STATED AT
BOARD, INDONESIAN DIRECTOR ON BOTH OCCASIONS EXPRESSED
UNDERSTANDING OF REASONS FOR U.S. POSITON.
SULLIVAN
UNQUOTE MAW

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WATER SUPPLY SYSTEM, POLICIES, BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE247070
Document Source: CORE
Document Unique ID: 00
Drafter: CKSTOCKER:CU
Enclosure: n/a
Executive Order: AS 19751231
Errors: N/A
Film Number: D740323-0303
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741157/aaaabwra.tel
Line Count: 120
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A) TRSY 301555Z; (B) STATE 244709; (, C) JAKARTA
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 09 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 MAY 2002 by shawdg>; APPROVED <01 APR 2003 by GolinoFR>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BANDUNG WATER SUPPLY PROJECT
TAGS: EAID, EFIN, ID, ADB-1
To: BONN
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005